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FM AMEMBASSY LA PAZ
TO RUEHC/SECSTATE WASHDC 8696
INFO RUEHAC/AMEMBASSY ASUNCION 5752
RUEHBO/AMEMBASSY BOGOTA 3030
RUEHBR/AMEMBASSY BRASILIA 6902
RUEHBU/AMEMBASSY BUENOS AIRES 4139
RUEHCV/AMEMBASSY CARACAS 1452
RUEHPE/AMEMBASSY LIMA 1396
RUEHME/AMEMBASSY MEXICO 1683
RUEHNM/AMEMBASSY MONTEVIDEO 3706
RUEHQT/AMEMBASSY QUITO 4092
RUEHSG/AMEMBASSY SANTIAGO 8628
RULSDMK/DEPT OF TRANSPORTATION WASHINGTON DC
RUEANHA/FAA NATIONAL HQ WASHINGTON DC
RUCPDO/DEPT OF COMMERCE WASHINGTON DC

UNCLAS LA PAZ 000913

SIPDIS

SENSITIVE
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STATE FOR EB/TRA JHORWITZ AND EB/TRA/OTP BMATTINGLEY
STATE ALSO FOR WHA/AND LPETRONI
STATE PASS TO FAA FOR LHART
STATE PASS TO DOT FOR CCOLDREN
COMMERCE FOR JANGLIN

E.O. 12958: N/A
TAGS: [FAIR](#) [ECON](#) [PGOV](#) [BL](#)
SUBJECT: POLICE AND MILITARY CLEAR RUNWAYS, GUARANTEE
FLIGHTS

REF: LA PAZ 902 (AND PREVIOUS)

1. (U) Summary: Bolivian police and military cleared airport runways in La Paz, Cochabamba, and Santa Cruz late yesterday, March 30, and ended day-long protests organized by Lloyd Aero Boliviano employees demanding that the GOB resume the intervention it suspended March 24 (reftel). The flight disruptions dealt yet another blow to Lloyd's reputation and operating capacity, further weakening its chances of survival. With over 2,000 jobs at stake, company executives and GOB officials are reluctant to allow Lloyd's total collapse, but as of now, no clear solution is in sight. End summary.

2. (U) Bolivian police and military personnel cleared airport runways in La Paz, Cochabamba, and Santa Cruz late yesterday, March 30, and brought an end to day-long protests organized by Lloyd Aero Boliviano employees demanding that the GOB resume the intervention it suspended March 24 (reftel). Authorities removed two planes blocking the principal runway in Santa Cruz and stationed personnel at airport entrances and behind ticket counters, guaranteeing staff and passenger access to boarding gates and allowing American Airlines and other carriers to prepare for a return to normal operations. The American Airlines flight scheduled to depart March 30 left today, March 31.

3. (U) The protests reportedly disrupted 20 flights and delayed 1,500 passengers, dealing yet another blow to Lloyd's reputation and operating capacity and further weakening its chances of survival. The superintendent of transportation had considered revoking Lloyd's operating license, in part because the carrier owes the superintendent an estimated \$356,000 in unpaid regulatory fees, but ultimately decided to hold off to avoid added tension. Outside observers have called for Lloyd's nationalization, but the GOB seems unwilling to assume responsibility for the airline's multi-million dollar debts and 2,200 employees. Others have

suggested the GOB put the carrier up for sale, but Lloyd's deep financial problems make finding buyers unlikely.

¶4. (SBU) Comment: With over 2,000 jobs at stake, company executives and GOB officials are reluctant to allow the airline's definitive collapse, but as of now, no clear solution is in sight. President Morales has rejected nationalization, saying it would be tantamount to "nationalizing corruption," and has said the GOB will not provide a capital injection. He has offered to mediate between company workers and executives, but neither side seems disposed to make concessions. For all concerned, from GOB officials to Lloyd employees at all levels, the outlook is grim. End comment.
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